

CE Checklist for Enrolled Actuaries

BY NOW, ALL ENROLLED ACTUARIES have submitted Form 5434A to the Joint Board for the Enrollment of Actuaries (JBEA) to renew their enrollments. As part of that renewal, you must certify that you have met the JBEA's continuing education (CE) requirements.

Is that enough? Probably not.

EAs who belong to the Academy, the American Society of Pension Professionals and Actuaries (ASPPA) and its ASPPA College of Pension Actuaries (ACOPA), the Casualty Actuarial Society (CAS), the Conference of Consulting Actuaries (CCA), and the Society of Actuaries (SOA), and who issue statements of actuarial opinion (SAOs), must meet the Academy's Qualification Standards. An SAO is any communication to a principal that expresses an opinion based on actuarial principles and on which the principal is expected to rely. An enrolled actuary who signs a Schedule SB or MB,

for instance, is issuing an SAO.

So how does an actuary meet the Qualification Standards? There are two components. The first is that the actuary must meet basic education and experience requirements. Under these requirements, an actuary must:

- Be a member of the Academy, a fellow or associate of the SOA or the CAS, a fellow of the CCA, a member or fellow of ASPPA, or a fully qualified member of another member organization of the International Actuarial Association; and
- Have three years of responsible actuarial experience, which is defined as

work that requires knowledge and skill in solving actuarial problems; and

- Be knowledgeable, through examination or documented professional development, of the law applicable to SAOs, as defined in the Code of Professional Conduct.

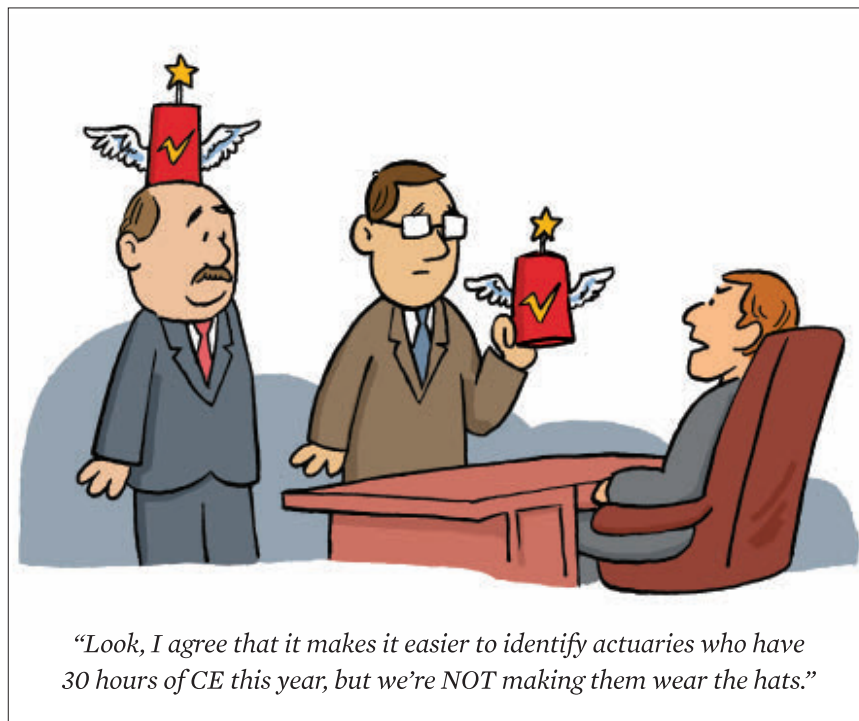
Enrolled actuaries are deemed to meet the basic education and experience requirement of the general Qualification Standards in the pension practice area.

The second component of the Qualification Standards is that an actuary must meet its CE requirements. And there are some differences between those CE requirements and CE requirements of the JBEA.

Comparing CE

Under the Qualification Standards' CE requirements, actuaries must complete 30 hours of relevant course work each calendar year. Of those 30 hours, three must be on professionalism topics and six must be participating in organized activities in which you interact with other professionals (conferences like the Enrolled Actuaries Meeting, for instance). Acceptable unorganized activities include participating in study groups, in-house training sessions, and actuarial Listservs; also, reading laws and regulations that relate to retirement plans, or other books and articles on relevant technical or professional topics.

Under the JBEA, enrolled actuaries must complete 36 qualifying CE hours over a three-year period, triennially (the latest period ended on Dec. 31, 2013). As with the Qualification Standards, a qualifying hour of CE is 50 minutes. While the JBEA must approve all organizations providing CE programs, in most instances JBEA approval meets requirements set by the Qualification Standards for a formal program. The JBEA also



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gives credit for writing peer-reviewed articles, leading discussions in JBEA-approved formal courses, and serving on JBEA examination committees. Of the 36 qualifying hours, 18 must be spent on “core” subject matter—content that’s integral and necessary for the satisfactory performance of pension actuarial services. Programs that explain the calculations and consequences of issuing an adjusted funding target attainment percentage (AFTAP), for example, are considered core. Non-core courses cover topics that enhance an enrolled actuary’s knowledge, including courses on economics, finance, investments, computer programming, and risk theory. Of the 18 core hours, two must be focused on ethical standards.

Limited Exemptions

Must all enrolled actuaries complete the Qualification Standards’ CE requirements? The answer is an extremely qualified no. Only enrolled actuaries whose practice is limited to certifications on government forms—including filing Schedules SB or MB, forms for the Pension Benefit Guaranty Corp. (PBGC), and certifications to the PBGC for a standard termination or the AFTAP—are excused from the CE requirements of the Qualification Standards.

For the vast majority of enrolled actuaries, I believe this exemption doesn’t apply.

Why? Because if an enrolled actuary performs services that aren’t covered under the exemption, then he or she is subject to the annual 30 hours of CE required by the Qualification Standards.

Any actuary seeking to avoid those 30 hours of annual CE would have to steer clear from many of the services that enrolled actuaries routinely offer, including:

- Providing actuarial services to non-ERISA plans, such as government, non-qualified deferred compensation, and church plans;
- Communicating the maximum tax-deductible contribution to a principal;
- Ascertaining the cost effect of a change in plan design, such as the cost effect of establishing a plan;
- Determining the effect of a merger or spinoff;
- Providing actuarial testimony, such as in marital disputes or other litigation matters;
- Calculating accounting information under the accounting standards codification of the Financial Accounting Standards Board;
- Computing benefit restrictions under the top-25 rule in Section 1.401(a)(4)-5.

And this list isn’t exhaustive.

A Cautionary Tale

Consider, for instance, an enrolled actuary who has relied on the exemption and is asked by a client to determine what the cost impact might be for a change in a retirement plan’s benefit structure. If he or she has met the Qualification Standards’ CE requirements, then—and only then—may he or she respond. An enrolled actuary who doesn’t have enough qualifying hours of CE must decline to answer or enlist the services of another actuary who has the required hours of CE. While this could spark client concerns about his or her competence, the

other option—responding to the request, despite not having enough qualifying CE hours—is worse. By responding, that actuary is in violation of the Code of Professional Conduct and subject to discipline.

Is it really that difficult to meet the CE requirements of both the JBEA and the Qualification Standards? I don’t think so. If an enrolled actuary annually attends 12 hours of formal (JBEA-approved) core programs, of which three hours are programs dedicated to professionalism/ethics, reads regulations on retirement plans or other books and articles on relevant technical topics, and participates in study groups or logs into an actuarial Listserv for 18 hours each year, he or she will have met both standards.

When any actuary takes on an assignment, he or she must do a little soul-searching: Do I truly believe I’m qualified to tackle this task, even if I’ve met the Qualification Standards and am an enrolled actuary?

Everyone relishes a challenge. But many times it’s what you don’t know that gets you in trouble. I’m not saying you shouldn’t branch out into other areas. But you need to take measures to ensure that the assignment is done properly. This may require thorough research, working under the guidance of another actuary, or having your work peer-reviewed by another actuary. The CE requirements in the Qualification Standards and those set by the JBEA all serve a common goal: ensuring that the services provided by actuaries are done with skill and with care. □

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